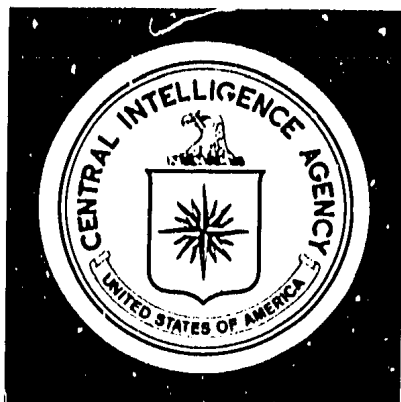


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Developments in Indochina

This publication is prepared by the Far East Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Nearly a month has passed since the installation of the cabinet, and Cambodia's new government--the four-man High Political Council--has made little headway in solving the country's numerous problems. The council's inability to get on with the work at hand is due in part to the cumbersome and alien nature of the new government. Despite this gloomy picture, the council is taking a more realistic and positive attitude toward possible dealings with Sihanouk and the Khmer Communists, and some action may be taken soon to deal with the long-standing problem of controlled rice prices.

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CAMBODIAWheel-Spinning in Phnom Penh

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Although nearly a month has passed since the installation of the cabinet, Cambodia's new government--the four-man High Political Council--has made little headway in solving the country's numerous problems. Nothing, for example, has been accomplished toward reforming the military, although this was to be the council's first task. No one has yet been named to the new post of commander in chief of the armed forces, and until this is done and the chain of command clearly established, it will be all but impossible to vitalize the armed forces.

The council's inability to get on with the work at hand is partly a result of the cumbersome and unfamiliar nature of the new government. Cambodians are used to authoritarian one-man rule, and the new ministers and council members are unsure of how to proceed under a collective system in which proposals are supposed to be debated within the council and decisions made by majority vote. In Tam's dual role of council member and prime minister has blurred the lines of authority and responsibility and added to the confusion.

A more important reason for the council's paralysis is bickering among its members. Most of the dissension is caused by Lon Nol, who is trying in a number of ways to re-establish his pre-eminence, particularly over military affairs. Senior army commanders, for example, still report directly to him rather than to the council as a whole. The President is also trying to secure the appointment of Cambodian Army Chief of Staff General Fernandez to the new position of commander in chief and to create some sort of high-level defense committee

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composed of officers loyal to him. Such moves have disturbed In Tam, who sees them as attempts to keep him isolated from military matters and thus from carrying out reforms within the armed forces. In Tam is now so frustrated that he is talking of resignation.

A more solid governmental base might develop if Lon Nol follows through on his apparent intent to go abroad for medical treatment, thereby giving In Tam and others a freer hand. Lon Nol's departure, if only temporary, would be greeted with enthusiasm by a number of prominent Cambodians, including Sirik Matak. Matak recently claimed that Lon Nol's poor health disqualified the President from any prolonged future service in Cambodia.

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Despite the gloomy political picture and the lack of progress in dealing with the key task of revitalizing the army, the council's record has not been completely negative. It has, for example, begun to show a more realistic attitude toward possible dealings with Sihanouk and the Khmer Communists. Last week it released a number of political prisoners, including Sihanouk's mother and one of his sons, who had been detained since the bombing attack on Lon Nol's residence on 17 March. The council has also sent former prime minister Hang Thun Hak and former defense minister Sak Sutsakhan to Paris to try to sound out some of Sihanouk's more important camp followers in the French capital. In addition, the council has named Matak to be in charge of any negotiations that might develop. For the time being,

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Matak apparently intends to await affirmative signals from the other side before considering any new initiatives.

On the economic side, Matak has been trying to goad the council into action on the long-standing problem of rice prices. Largely for political purposes, the government heretofore has maintained--at considerable cost in subsidies--an artificially low price on rice in the capital. Inadequacies in the government's distribution system, however, have frequently forced consumers to buy rice on the black market at triple the controlled price.

Matak recently submitted a plan to deal with this problem that closely parallels reforms previously recommended by the International Monetary Fund. It calls for the removal of price controls, the transfer of funds from the government rice subsidy to finance wage increases for government workers, and return to a private distribution system. If these steps were carried out, the black market would be eliminated and some rice supplies currently held in Communist-controlled areas might be attracted by higher prices in Phnom Penh. At this juncture, however, council action on this or any other proposal must await the willingness of its members to work more closely with each other than they have so far.

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SOUTH VIETNAM

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Fourth Anniversary of the PRG

The PRG's fourth anniversary celebrations were aimed at gaining maximum international publicity. The Viet Cong stopped short, however, of announcing the establishment of a capital, a move which PRG officials had suggested privately was imminent. Diplomats from a number of sympathetic countries, including China and the USSR, presented their credentials at an unidentified site in South Vietnam's Quang Tri Province. Heretofore, only the Cuban ambassador had been accredited to the PRG.

The highlight of the anniversary celebration was a "grand meeting" allegedly attended by more than 7,000 people. Nguyen Huu Tho, chairman of the National Liberation Front, gave an undistinguished speech; the usual speaker at PRG anniversary celebrations, PRG president Phat, was conspicuously absent. Predictably, the speeches of the PRG leaders were slightly more militant concerning the remaining "struggle" ahead for "liberation" than those of counterpart North Vietnamese leaders who also spoke on the occasion.

The PRG's decision to adopt more of the formal trappings of government may have been delayed until later, when it would have more international support. Having Moscow and Peking in tow, however, was a critical factor affecting the decision of other ambassadors to attend the anniversary celebrations. In return for recognition, the Soviets and Chinese probably re-emphasized the importance of political action, as opposed to military operations. Recognition by these powers could foreshadow a stepped-up PRG campaign to gain more international political prestige.

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The Viet Cong still could announce the establishment of a capital at almost any time. A site in Quang Tri has been mentioned most often by Vietnamese Communist sources [redacted] although there has also been some speculation about locations in Tay Ninh and Binh Long provinces. The Communists probably would prefer to have a capital farther south than Quang Tri, since one so far north might seem like an extension of North Vietnam, and would be less impressive internationally. A site in Quang Tri would, however, be safer and more convenient from a logistics point of view than one nearer to Saigon. [redacted]

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Hoa Hao Attitudes Toward
Thieu and the Communists

The Hoa Hao sect, which enjoys considerable strength in parts of the delta, has long taken one of the firmest anti-Communist positions of any group in the country. Because of the sects' rigid anti-Communist stance, many of its leaders have been on good terms with the Thieu government. President Thieu has courted the Hoa Hao in recent years, and since the cease-fire agreement, has encouraged the sect to cease its squabbling and join in the political struggle against the Communists. An apparent change in attitude by one of the most prominent Hoa Hao leaders, however, has called into question the sect's position vis-a-vis both Thieu and the Communists.

Retired Hoa Hao general Lam Thanh Nguyen, who leads the sect's veterans association, told US Embassy officers last weekend that the Hoa Hao should seek a political accommodation with the Viet Cong. In contrast to the usual Hoa Hao position, Nguyen criticized the Saigon government for intransigence, which he claimed was impeding a settlement with the Communists. Although Nguyen has been in the forefront of Hoa Hao attempts to re-unite, and has co-operated with Thieu in the past, he now also charges

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that the President and other military leaders are reluctant to share their power and are working to emasculate the country's religions and political parties.

Nguyen and his followers are participating in the nascent Social Democratic Alliance, a coalition of groups aspiring to become an independent, legal competitor of the government's Democracy Party. Nguyen's harsh remarks about the government may have been motivated in part at least by anger over the success of Democracy Party recruiting drives in Hoa Hao areas and the party's strong showing in village elections in the delta.

Nguyen has considerable influence among the Hoa Hao, but it is not clear whether his views on the government and the Communists represent the sect as a whole. No other Hoa Hao leaders have given any indication of abandoning their hard-line anti-Communist stance. There may be a tendency among some of these leaders, however, to hedge their bets and keep their distance from Thieu, particularly if they do not feel directly threatened by the Communists.

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LAOS

France and Laos

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With the fighting ended, the Lao, for both sentimental and historical reasons, will look to France for more military and economic assistance. This month Paris is scheduled to send some 39 more officers to Laos as a first augmentation of its 70-man military assistance mission. They will be assigned to Lao Army schools and headquarters units. During a visit to Paris last year, Prime Minister Souvanna proposed that the French considerably increase the number of their advisers to help offset the withdrawal of US personnel as a part of the peace settlement.

The Geneva Accords of 1954 provide for a maximum of 1,500 French military advisers for Laos. Shortly after the 1962 Geneva settlement, the French Military Mission was increased to 250. The number gradually declined as the war resumed, but the French continued to provide some specialized and advanced military instruction.

Even though French economic aid is second to that of the US, it amounts to only about \$7 million annually, or about ten percent of total economic aid to Laos. The bulk of it is for educational purposes, such as financing schools and training programs in agriculture, medicine, public administration and communications. It is also used for various construction programs, including electrical power projects, expansion of telecommunications networks, and airport improvement.

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This past January, France also concluded a \$4.8 million loan agreement for water supply systems, communications installations, an animal feed plant, and

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a brick factory. The terms for this loan are harsher than the guidelines set by international financial institutions for assistance to developing countries.

France, moreover, has not been particularly helpful in its support of the multi-national Foreign Exchange Operations Fund. This fund provides part of the foreign exchange needed to make up the Laotian trade deficit, and helps control inflation by absorbing local currency generated by war-related government deficits. France has maintained the same \$1.7 million contribution to the approximately \$25 million fund for the last seven years. The dollar value of its contribution for 1973 went up to \$1.9 million because of the dollar's depreciation this year, but the actual franc contribution remained the same. Moreover, the French negate much of the effect of their contributions by using a large share of their Lao currency proceeds for local expenditure rather than retiring it from circulation.

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INTERNATIONAL

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Keynote speeches by North Vietnamese and Chinese spokesmen at a large rally in Peking on 7 June, while effusive and full of mutual praise, suggest disagreements persist after high level talks. Party boss Le Duan spoke for North Vietnam; politburo member and military leader Yeh Chien-ying for China.

One clear point of divergence was in the treatment of the US. Yeh mentioned the US only in passing and laid all the blame on Saigon when he addressed the question of cease-fire violations in Vietnam. Le Duan mentioned the US often and in a derogatory way. He said the root cause of cease-fire difficulties was continued American "neo-colonialism" in Vietnam. This contrast reflects the high priority Peking attaches to its relations with Washington. Le Duan's language suggests North Vietnamese concern that future Sino-American dealings might adversely affect Hanoi's interests, even though both speeches were full of expressions of solidarity.

Le Duan seemed more concerned than Yeh about difficulties yet to come. He said that the Vietnamese people still have a "complicated course" to follow in both North and South Vietnam, while Yeh viewed the situation with more equanimity, hinting that complete compliance with the cease-fire will take time. Although he singled out Saigon for special condemnation, he stressed that "all parties" should respect the agreements. Le Duan limited his admonitions to adhere to the cease-fire to the allied side.

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The North Vietnamese may also be uncertain about the level and nature of future Chinese aid. Le Duan simply said the North Vietnamese "believe" China will come through with the aid Hanoi believes it deserves. Yeh, on the other hand, implied that Chinese assistance to the North is meant for reconstruction and to the PRG for "building national concord." He again stressed that, in Peking's view, the military phase of the struggle has ended. An NCNA announcement on 8 June of a final aid agreement reiterated Yeh's points and clearly indicated that Chinese assistance during 1974 will be heavily weighted on the civilian side.

Le Duan suggested no substantial change in North Vietnam's position on Laos. Yeh, on the other hand, reaffirmed that a Lao settlement should be fashioned "without foreign interference." In recent weeks, Chinese spokesmen have implied privately that this language refers to Hanoi as well as Washington. Le Duan called for an end to outside interference in Cambodia, especially American bombing, but did not mention Sihanouk's five point proposal of March 1970. Yeh endorsed the five points, but made no reference to the problem of foreign interference.

The two sides also split on the question of international Communist solidarity, as Hanoi almost certainly had anticipated. Yeh did not echo any of several North Vietnamese calls for Sino-Soviet reconciliation, asserting in plain language that Peking continues to view Moscow with suspicion and distaste.

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